

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3690-01  
Bill No.: HB 1431  
Subject: Property, Real and Personal, State Tax Commission, Taxation and Revenue -  
General, Taxation and Revenue - Property  
Type: Original  
Date: February 18, 2002

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Blind Pension*	\$0	(Unknown)	(Unknown)
General Revenue **	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds * **</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\* expected to exceed \$100,000 per year.

\*\*excludes Foundation Formula adjustments.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Political subdivisions * **	\$0	(Unknown)	(Unknown)
<b>Local Government</b> * **	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\* expected to exceed \$100,000 per year.

\*\* excludes Foundation Formula adjustments.

Numbers within parentheses: ( ) indicate costs or losses.

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### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Department of Revenue** and the **State Tax Commission** assume no fiscal impact to their organizations.

Officials from the **Office of Administration - Division of Budget and Planning** did not respond to this proposal.

In response to a similar proposal, **Department of Elementary and Secondary Education** officials noted that the proposal would decrease assessed values compared to current law, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) “hold harmless” districts would recoup their losses through state payments, 2) state payments required by this proposal are not included in the Formula, thus allowing other districts a “double dip” consisting of reimbursements from the state and increased payments through a fully funded Formula, and 3) the effects of the proposal on the Formula should disappear after three or so years because reducing the guaranteed tax base reduces the inflationary adjustment in the Formula for districts to fund inflationary increases in expenses.

**Oversight** assumes that Foundation Formula issues, if any, would be addressed through the appropriation process.

ASSUMPTION (continued)

**Oversight** assumes it is not possible to estimate the magnitude of losses to political subdivisions since tax collections are subject to revenue ceiling restraints and due to other factors which could vary from subdivision to subdivision. Losses, compared to current law, would not occur until FY 2004.

Oversight estimated possible losses as follows - an increase in taxes on real property of 11% per 2-year cycle of reassessment, 66% of taxes paid are on real estate, and an inflation rate of 3.5%.

Total property tax paid in 2000	\$	3,922,378,000
Percent real	x	.66
Real Property Tax paid in 2000	\$	2,588,769,000
Projected Real Tax 2002	\$	2,873,534,000
<b>Projected Increase</b>	<b>\$</b>	<b>284,765,000</b>

Projected Losses for FY 2003:

**None**

Projected losses for FY 2004:

Projected Real Tax 2002	\$	2,873,534,000
Projected 11% valuation increase	\$	316,089,000
Projected inflation-adjusted value increase \$316,089,000 x 1.035 =	\$	327,152,000
Less effect of tax revenue ceiling restraints		Unknown

**Net Effect = (Unknown)**

Projected losses for FY 2005:

**Net Effect = (Unknown)**

**Oversight** estimates decreased income to the Blind Pension Fund would exceed \$100,000 per year beginning in FY 2004. The losses to the Blind Pension Fund would amount to a little more than ½ of 1% of the losses calculated for political subdivisions before the effect of tax rate ceilings, since the tax rate for the Blind Pension Fund is not subject to tax rate ceiling rollbacks.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>BLIND PENSION FUND</b>			
<u>Cost - reduced tax collections *</u>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND *</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
* expected to exceed \$100,000 per year.			

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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**POLITICAL SUBDIVISIONS**

<u>Loss</u> - reduced tax collections *	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS * **</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
* expected to exceed \$100,000 per year.			
** excludes Foundation Formula adjustments.			

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would change the assessment of real property from every second year to every fourth year.

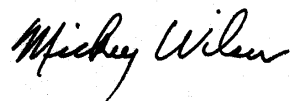
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission  
Department of Revenue

NOT RESPONDING

Office of Administration  
Division of Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Acting Director  
February 18, 2002